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11 March 1957

MEMORANDUM FOR: Assistant Director for Research and Reports

SUBJECT: Polish Request for Long-Term Credit to Cover Purchase
of U.S. Surplus Agricultural Commodities

1. Mr. Kotlicki presented the Polish request and prefaced his specific request with a short summary of the recent negotiations and the position of Poland vis-a-vis U.S. limitations. The Polish Delegation had examined the "high wall" involved in the statement of U.S. limitations and had seen that Poland might get a few goods through the "chinks in the wall." What Poland "could get through the wall" would not be enough, however, "the wall must be removed." Poland was not after "philanthropic aid", they wanted an opportunity to put their economy in order. Their wants were sufficiently large and their balance of payments sufficiently strained that they could not pay cash. They needed long-term credit but would be willing to repay the loan in dollars if this were necessary to secure credit.

2. Mr. Kotlicki then presented the "most urgent" portion of the Polish request for U.S. surplus agricultural commodities:

- 1) Poland needs 100,000 MT of cotton to meet certain deficits in the supply of her textile industry.
 - a) 30,000 MT of this import would be required during 1957 to cover the current year gap for which they had no

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fixed supply agreement and no foreign exchange with which to buy directly from the West.

-- Poland plans to process 105,000 MT of cotton in 1957.

They will get 65,000 MT from USSR,

10,000 MT from Egypt and others.

They need above 30,000 MT to fill the gap.

- b) A second 30,000 MT will be required in the first 6 months of 1958, Poland plans to process 115,000 MT in '58.
- c) The remaining 40,000 MT would be imported to be used as a reserve (really an inventory in American usage) to maintain continuous production. Present reserves of cotton cover only a few days production. Failure to receive import shipments promptly leads to frequent slow-downs or shut-downs in textile mills, creates a situation in which a full line of planned output cannot be produced, develops certain seasonal peaks of production, all of which factors tend to raise the cost of production and reduce the quality of the finished product.

Current Polish exports (1956?) of textiles are about 93 million running meters, about 20 percent of which export is to the Bloc, no textile export to the U.S.

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2) Poland needs 70,000 MT (pure fat content) of oil seeds, oil and oil cake.

a) The following specific oil shortages must be met by imports from the U.S. during 1957:

oil seeds	7,000 MT	(pure fat content)			
tallow	13,000 MT	"	"	"	"
vegetable oil	5,000 MT	"	"	"	"
lard	5,000 MT	"	"	"	"

b) Shortages during the 1st 6 months of 1958 to be met by U.S. imports are:

oil seeds	5,000 MT	(pure fat content)			
tallow	8,000 MT	"	"	"	"
vegetable oils	2,000 MT	"	"	"	"
lard	5,000				

c) The remaining 20,000 MT would be organized into a reserve, the rationale for which was outlined in almost identical fashion with that given in 2. 1) c) above. Reserve would be made up of:

oil seeds	8,000 MT	(pure fat content)			
tallow	10,000 MT	"	"	"	"
vegetable oils	2,000 MT	"	"	"	"

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Poland's total stock of oil seeds, oils and fats on 1 January 1957 was 8,000 MT. Poland's annual production of oil and soap is planned at 153,000 MT for 1957 and 180,000 MT for 1958. Poland's annual production (in pure fat content) for 1957 will be 25,000 MT of oil seeds and 17,000 MT of "home fats." Poland must import a total of 110,000 MT pure fat content during 1957 to assure her production supply.

- 3) Poland will need a total of 1,500,000 MT of grain broken into wheat, 1,230,000 MT; rye or corn, 180,000 MT, and barley, 90,000 MT.
 - a) 500,000 MT of this requirement will be used to meet a part of the 1,100,000 MT deficit expected in the crop year 1957-58. Deficit of the 1956-57 crop year was covered by the wheat loan obtained from the USSR.
 - b) 1,000,000 MT of this request would be used by Poland to set up an adequate wheat reserve to permit the rapid reduction of the compulsory deliveries levied on Polish agriculture. This reserve is based on 3 months' supply of grain requirement of the urban population.

Grain production for 1957 is expected to be 13,000,000 MT.

10,000,000 MT of this total will be required in the

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countryside for food, feed and seed. 2,400,000 MT must be delivered to the state in the form of compulsory deliveries. (This was once previously reported as a 30 percent reduction from 1956.) The total market supply planned from 1957-58 crop year is 3,500,000 MT. Thus, the planning deficit from 1957-58 crop year is 1,100,000 MT independent of the planned reserve.

- 4) Poland will need 3,000 MT of wool. All of the wool imported under this request would be used to set up a stock or inventory program to assure the continuous flow of wool for textile industries. Poland produced 8,250 MT of wool in 1956 and plans to produce 8,700 MT in 1957. They imported 15,900 MT and plan an import of 19,300 MT in 1957 exclusive of stock requirement. It was unclear whether the above import was all virgin wool and the following processed or used wool was imported in addition to it or whether the following was a part of the total imports announced.

Imports 1956-57 (metric tons)

<u>Commodity</u>	<u>1956</u>	<u>1957 (Plan)</u>
Wool linters	1,323	1,230
Wool rags	5,239	4,700

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- 5) Poland requested 20,000 MT of citrus fruit which would be used to improve the quality of the domestic food supply, wanted the fruit "for their children." The Poles had planned to import a total of 42,500 MT of citrus during 1957 but they fear that their foreign exchange resources may not permit this level of purchases.
- 6) Poland also requested 6,000 MT of powdered milk. They produce a total of 2,500 MT per year and have not in the past imported this commodity although they have estimated an annual requirement for about 9,000 MT.

3. The Polish delegation, after presenting this rather formidable shopping list, protested that it was only their "most urgent" requirement for the periods mentioned, 1957-June 1958, that they had originally planned a longer list and higher figures for this request. They just didn't have the "courage to present it" after the American statement at the previous meeting. Pressed by the American delegation to narrow the relative priority of the list, Mr. Kotlicki indicated "cotton, fats and grain 'as' most urgent."

4. The Department of Agriculture estimates the export value of this list at \$200 millions and the cost of the items to the Commodity Credit Corporation at \$300 millions. This office estimates the ocean shipping and insurance costs to Stettin at \$25-30 millions

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